

per
LF 786.4
Univ Coll

University of Southampton

Financial Statements and Statistics 2000



University of Southampton

Annual Report 1999 - 2000

Financial Statements and Statistics



REFERENCE
THIS BOOK MAY
BE TAKEN OUT OF THE LIBRARY

University of Southampton and Subsidiary Undertakings

Financial Statements
for the year ended 31 July 2000

Contents

Report of the Treasurer	4
Corporate Governance	6
Report of the Auditors to the Council of the University of Southampton	8
Consolidated Income and Expenditure Account	9
Balance Sheets	10
Consolidated Cash Flow Statement	11
Reconciliation of Net Cash Flow to Movement in Net Debt	11
Statement of Total Recognised Gains and Losses	11
Notes to the Financial Statements	12
University Financial Statistics	29

University of Southampton and Subsidiary Undertakings

Treasurer

Godfrey Whitehead, FCA

Director of Finance

Colin R Showell, BCom, CPFA

Deputy Director of Finance

R Allan Spencer, MA, ACA

Investment Advisers

*Lazard Asset Management Limited
21 Moorfields
London EC2P 2HT*

*HSBC Investment Management
HSBC Investment Bank PLC
6 Bevis Marks
London EC3A 7JQ*

Bankers to the University

*HSBC Bank PLC
165 High Street
Southampton SO14 2NZ*

Bankers to Chilworth Manor Limited

*Lloyds Bank PLC
18 High Street
Southampton SO14 2SE*

External Auditors

*Mazars Neville Russell
8 New Fields
2 Stinsford Road
Nuffield
Poole
Dorset BH17 0NF*

Internal Auditors

*PricewaterhouseCoopers
The Quay
30 Channel Way
Ocean Village
Southampton SO14 3QG*

Treasurer's Report 1999-2000

The University's total income increased by 5.6% compared with the previous year, but expenditure increases of 7.6% meant that the consolidated surplus this year was substantially reduced, at £847,000. Income from student related areas of grant and tuition fees increased strongly, particularly in the area of NHS teaching contracts, whilst income from research grants and contracts increased by a creditable 7%. However, the University still hopes to see additional progress in contributions from such sources, since costs of producing such research have also increased significantly.

The University has taken advantage of the new Financial Reporting Standard, FRS 15, to revert to valuing its buildings at historical cost (except for the buildings occupied by the subsidiary companies). This brings it into line with many other institutions and has reduced the depreciation charge in the income and expenditure account by some £2.5 million. The prior year figures shown in these statements have also been adjusted, so that all comparisons are of like with like.

55% of the University's expenditure was on staffing costs, which increased by 7.5%. Although total staff numbers showed little change from the previous year, there was a 5.6% increase in academic and clinical staff numbers, offset in numerical, but not cost terms, by reductions in the numbers of clerical, technical and manual staff. The University shares the aspirations of its staff towards pay levels which more reasonably reflect the value of their contribution, but at present is faced with the difficulty that increases in staff costs are outstripping the growth in funding, giving a situation which cannot be sustained in the long-term without further injections of funding from either grants or earned income.

Over £16 million was spent on the purchase, hire and repair of equipment, of which £5 million was capitalised. £9 million was spent on maintenance of the University's buildings.

The consolidated surplus of £847,000 was very substantially aided by the performance of the University's two main trading subsidiary companies, Chilworth Science Park Limited and Chilworth Manor Limited, which between them

contributed over £1.1 million. The value of the Science Park continues to increase, indicating the buoyant market for such properties and the success of the company in attracting start-up and more developed high technology businesses to the area. Large new construction projects for Merck KgaA (a German based major international chemical company) and the Chilworth Business Incubator Unit for small research and technology companies were major features of the developments at Chilworth this year.

Investment Performance

The University's equity and fixed interest investments are managed by Lazard Asset Management and HSBC Investment Management. The portfolio is regularly reviewed and covers a range of equity and fixed interest investments, thus spreading the risks across a number of sectors. Average performance very much mirrored the performance of the major markets, so there were only relatively small changes in the net value of investments. Endowment asset investments had a market value of £7.1 million, compared with £6.8 million the previous year. The market value of quoted shares and securities held for current purposes was almost unchanged at £16.2 million.

The University's corporate vehicle for investing in the application of new academic developments for commercial purposes, Southampton Innovations Limited, is still in the start-up phase, with published losses of £338,000, but the underlying position has now become very encouraging, with some major profitable developments now very close to the Initial Public Offering stage when it will be possible, if so desired, to realise the value of the University's investments.

Cash Position

The University had a cash inflow of £12.6 million from operating activities. Payments to acquire tangible assets totalled £15.2 million, a significant reduction on the major developments in the previous year, when £29 million was spent, but nevertheless, still an indication of major development activity across the University.

University of Southampton and Subsidiary Undertakings

Treasurer's Report 1999-2000

At the Balance Sheet date, net cash and general investments totalled £26.7 million, a very small reduction from the previous year, but well in line with expectations.

Capital Projects

There were fewer new schemes than in recent years, since the University has achieved the first phase of its capital development plans, with developments in many academic areas. The major new project for the year was the Nursing Building on the Highfield Campus, which became available for occupation just after the end of the financial year. The Gower Building at Highfield became fully operational early in the year, providing a commercial centre for banks, bookshops and an insurance broker, together with 22 flats for post-graduate students.

New loans totalling £7.4 million were taken out, principally to finance the construction of the Nursing Building.

Future Developments

The University has in recent years committed substantial revenue sums towards investments in people and facilities to help maintain its standards of excellence in the forthcoming Research Assessment Exercise by the funding councils. It has committed itself to strategies to widen participation in higher education, based particularly on University of Southampton New College. A major restructuring package was developed during the year for New College, which was taken over by the University in 1997 and the University has now been pleased to be awarded a

very substantial grant from HEFCE to take its restructuring plans for the College forward as an integral part of its mission to widen participation.

Other major capital developments are now planned based on support from new national grants, particularly to aid new projects in Science, Engineering and Medicine.

The University is also very mindful of the needs of its students. During the recent years of rapid capital developments of academic facilities, the provision of sporting and recreational facilities has lagged behind. However, during 2000, a detailed project has been developed for the provision of an indoor sports complex, including a swimming pool, and authority has recently been given for the scheme to go ahead.

Conclusion

The University's financial position remains satisfactory, with a healthy balance sheet and an increasingly robust planning mechanism to help manage it through a very tight national funding position. The year just closed, and, even more so, the current year, reflect a very tight position on the income and expenditure account, particularly because of revenue investments in advance of the Research Assessment Exercise. The contribution made to University finances by its associated companies is becoming more important as public funding, particularly for revenue purposes, becomes increasingly limited. The necessity to generate surplus funds from research and other activities remains a key objective as there is no certainty that recent Government grant announcements will offer any significant relief.

Corporate Governance

Summary of Corporate Governance

The University was established in 1952 by Royal Charter which, together with the Statutes which came into force at the same time, provides the framework for the corporate governance of the institution. The Council is the governing body of the University, and is charged by the Statutes with responsibility for "the management and administration of the whole revenue and property of the University and the conduct of all the affairs of the University". In carrying out its functions, the Council is bound by the terms of the Financial Memorandum with the Higher Education Funding Council for England (HEFCE), which is updated annually, and the acceptance of which is a precondition for the receipt of HEFCE grants. The Senate is the other principal decision-making body prescribed in the Charter and Statutes; it is primarily responsible for coordinating and advancing the academic work of the University.

The Council numbers 37 persons, comprising ex-officio and lay members, and representatives of the academic and other staff, together with two students. The Chair and Vice-Chair of Council are appointed from amongst the lay membership, which always forms a majority on the Council. Whilst the Chancellor is the titular head of the University, the Vice-Chancellor is the University's principal academic and administrative officer, and Accounting Officer. The Treasurer is a lay and non-executive member of the Council whose remit is to advise generally on matters relating to the University economy, and to satisfy him/herself as to the soundness of the University's financial position and the integrity of its financial transactions. The Secretary and Registrar is responsible to Council, through the Vice-Chancellor, for all administrative functions of the University.

The Council meets at least three times a year, and receives reports on the functioning of the University and of its subsidiary companies. Matters specifically reserved for Council decision include the Mission and ongoing strategic direction of the University, and the approval of budgetary allocations and of major new developments. Much of the business of the Council is transacted through the committee structure. In

this structure the Policy and Resources Committee (PRC) - a joint committee with the Senate - performs a pivotal role. PRC is chaired by the Vice-Chancellor, and is responsible for preparing for consideration by Council the annual revenue and capital budgets; for recommending to Council the adoption of the Strategic Plan; for monitoring performance in relation to approved budgets; and for overseeing the execution of financial policies approved by the Council. PRC receives regular advice from two committees whose remit relates respectively to personnel and to estates policy, and also from the University Management Group which has day-to-day oversight of the financial position of the University. Other committees deal with such matters as student and staff welfare, safety and occupational health, the remuneration and promotion of staff, and the assessment of academic and administrative departmental performance.

The Audit Committee meets at least three times a year. Meetings are attended by the External Auditors, to discuss audit findings, and also by the Internal Auditors, to discuss detailed internal audit reports and recommendations for the improvement of the University's systems of financial control, together with management's response and implementation plans. The Committee also considers reports from the Higher Education Funding Council for England relating to the conduct of business and monitors adherence to the regulatory requirements. The Committee reviews the University's annual financial statements together with the accounting policies. Whilst senior executives are in attendance at meetings, they are not members of the Committee, which reserves the right to meet with the External Auditors for independent consultations.

The Nominations Committee is responsible for making recommendations for the filling of vacancies in the lay membership of Council, following internal and external advertisement and reference to the alumni of the University.

The Professorial and Senior Salaries Committee reviews the salaries of senior academic and administrative staff. The lay officers separately review the salary of the Vice-Chancellor.

University of Southampton and Subsidiary Undertakings

Corporate Governance

All these committees are formally constituted with terms of reference and comprise lay and academic members, one of whom is in the chair. All members of the Council and of the committees, together with the executive officers, are subject to Standing Orders which inter alia require the maintenance of a Register of Interests; members may not be present at any discussion in which they have a direct or indirect financial interest.

Role of Council in the Preparation of the Financial Statements

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and which enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England and the Council of the University, Council, through the Vice-Chancellor, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, Council has, through its committees and officers, ensured that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Council is satisfied that the University has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis has been continued in the preparation of the financial statements.

The Council has taken reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may have prescribed;
- ensure that there are appropriate financial and management controls in place to safeguard funds from all sources;
- safeguard the assets of the University and prevent and detect fraud;
- secure the economical, efficient and effective management of the University's resources and expenditure.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definition of the responsibilities and delegated authority of heads of academic and administrative departments;
- a medium and short-term planning process, supplemented by detailed annual expenditure and capital budgets;
- regular reviews of academic performance and termly reviews of financial performance and updates of forecasts of outturns;
- clearly defined and formalised requirements for control of expenditure, appointment of staff, investment and borrowing decisions;
- comprehensive Financial Regulations approved by the Audit Committee and Council;
- a professional internal audit service from a major international accountancy firm.

The Audit Committee, on behalf of Council, has reviewed the effectiveness of the systems of internal control. Any such system can, however, only provide reasonable, but not absolute, assurance against financial misstatement or loss.

REPORT OF THE AUDITORS TO THE COUNCIL OF THE UNIVERSITY OF SOUTHAMPTON

We have audited the financial statements on pages 9 to 28 which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and in accordance with the accounting policies set out on pages 12 to 13.

RESPECTIVE RESPONSIBILITIES OF THE COUNCIL AND AUDITORS

The Council is responsible for preparing the Annual Report, including as described on page 7 the financial statements. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions. We also report to you whether, in all material respects, income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the University, have been properly applied only for the purposes for which they were received, and whether income has been applied in accordance with the University's statutes and where appropriate with the Financial Memorandum with the Higher Education Funding Council for England and with the Funding Agreement with the Teacher Training Agency.

We also report to you if, in our opinion, the University has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Treasurer's Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the University and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- (a) the financial statements give a true and fair view of the state of affairs of the University and the group at 31 July 2000, of their surplus of income over expenditure and of the group's cash flows for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions;
- (b) in all material respects, income from the Higher Education Funding Council for England, the Further Education Funding Council for England and the Teacher Training Agency, and grants and income for specific purposes and from other restricted funds administered by the University have been applied for the purposes for which they were received;
- (c) in all material respects, income has been applied in accordance with the University's Statutes and where appropriate with the Financial Memorandum dated July 1997 with the Higher Education Funding Council for England and with the Funding Agreement dated December 1997 with the Teacher Training Agency.



MAZARS NEVILLE RUSSELL

Chartered Accountants and Registered Auditors

Poole
19 December 2000

University of Southampton and Subsidiary Undertakings

Consolidated Income and Expenditure Account for the year ended 31 July 2000

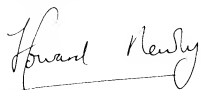
	Notes	2000 £000	1999 Restated £000
INCOME			
Funding Council grants	2	67,713	63,716
Academic fees and support grants	3	38,345	34,615
Research grants and contracts	4	50,727	47,372
Other operating income	5	38,065	38,304
Endowment income and interest receivable	6	1,757	2,115
Total income		196,607	186,122
EXPENDITURE			
Staff costs	7	107,900	100,401
Depreciation	10	8,484	8,108
Other operating expenses	8	74,886	70,043
Interest payable	9	4,383	3,359
Total expenditure	10	195,653	181,911
Surplus after depreciation of assets and before minority interest		954	4,211
Minority interest		(107)	(122)
Surplus attributable to the University		847	4,089

University of Southampton and Subsidiary Undertakings

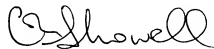
Balance Sheets as at 31 July 2000

	Notes	Consolidated 2000 £000	1999 Restated £000	University 2000 £000	1999 Restated £000
FIXED ASSETS					
Tangible assets	11	172,786	161,280	152,176	143,626
Investments	12	192	191	240	240
		<u>172,978</u>	<u>161,471</u>	<u>152,416</u>	<u>143,866</u>
ENDOWMENT ASSET INVESTMENTS	13	7,147	6,797	7,147	6,797
DEBTORS: AMOUNTS FALLING DUE AFTER ONE YEAR	14	2,922	3,304	14,957	15,341
CURRENT ASSETS	15	54,542	51,478	54,055	50,630
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(43,099)	(38,662)	(45,047)	(40,303)
NET CURRENT ASSETS		<u>11,443</u>	<u>12,816</u>	<u>9,008</u>	<u>10,327</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>194,490</u>	<u>184,388</u>	<u>183,528</u>	<u>176,331</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(69,415)	(65,076)	(69,115)	(65,539)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(4,378)	(3,495)	(3,944)	(3,132)
TOTAL NET ASSETS		<u>120,697</u>	<u>115,817</u>	<u>110,469</u>	<u>107,660</u>
Represented by:					
DEFERRED CAPITAL GRANTS	19	47,229	46,560	47,229	46,560
ENDOWMENTS					
Specific	20	4,486	4,244	4,486	4,244
General	20	2,661	2,553	2,661	2,553
		<u>7,147</u>	<u>6,797</u>	<u>7,147</u>	<u>6,797</u>
RESERVES					
Revaluation reserve	21	8,911	6,446	—	—
Income and Expenditure account	22	57,410	56,014	56,093	54,303
		<u>66,321</u>	<u>62,460</u>	<u>56,093</u>	<u>54,303</u>
TOTAL FUNDS		<u>120,697</u>	<u>115,817</u>	<u>110,469</u>	<u>107,660</u>

The financial statements on pages 9 to 28 were approved by the Council on 19 December 2000, and signed on its behalf by:







Vice-Chancellor
(as member of Policy and Resources Committee)

Treasurer

Director of Finance

The notes on pages 12 to 28 form part of these accounts

University of Southampton and Subsidiary Undertakings

Consolidated Cash Flow Statement for the year ended 31 July 2000

	Notes	2000 £000	1999 £000
Net cash inflow from operating activities	28	12,573	13,566
Returns on investments and servicing of finance	29	(2,582)	(1,049)
Capital expenditure and financial investment	30	(15,218)	(29,435)
Cash outflow before use of liquid resources and financing		(5,227)	(16,918)
Management of liquid resources		532	8,003
Net financing		4,396	15,945
(Decrease)/increase in cash		(299)	7,030

Reconciliation of Net Cash Flow to Movement in Net Debt

		2000 £000	1999 £000
(Decrease)/increase in cash in period		(299)	7,030
(Decrease) in investments	15	(532)	(26,172)
New loans and debt movement	31	(7,378)	1,247
Repayment of debt	31	2,982	1,108
Change in net debt		(5,227)	(16,787)
Net debt at 1 August	32	(35,520)	(18,733)
Net debt at 31 July	32	(40,747)	(35,520)

Statement of Total Recognised Gains and Losses for the year ended 31 July 2000

	Notes	2000 £000	1999 Restated £000
Deferred Capital Grants	19	669	(79)
Surplus after depreciation of assets		954	4,211
Unrealised surplus on endowment asset investments	20	280	270
Realised (losses)/gains on endowment asset investments		(13)	11
Endowment income retained for year	20	10	115
New endowments	20	65	90
Textile Conservation Centre (TCC)		—	(73)
TCC specific donation for capital funds		450	250
Unrealised surplus on revaluation of Chilworth Science Park	21	2,465	3,335
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		4,880	8,130

The notes on pages 12 to 28 form part of these accounts

Notes to the Financial Statements for the year ended 31 July 2000

I. Statement of principal accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of endowment asset investments and investment properties in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions (SORP) and applicable accounting standards.

(b) Basis of consolidation

The consolidated financial statements consolidate the financial statements of the University and all its subsidiary undertakings.

The consolidated financial statements do not include those of the University of Southampton Students' Union as it is a separate entity over which the University does not exercise control or significant influence over policy decisions.

All income for the year relates to continuing activities.

(c) Recognition of income

Government basic and other recurrent grants are included in the year to which they relate. Specific grants are brought into income to the extent of expenditure in the year.

Income from specific endowments and donations, research grants and contracts is included to the extent of the expenditure incurred during the year, together with any related contributions towards indirect costs.

Income from short-term investments, deposits and general endowment asset investments is accrued up to the balance sheet date.

Income from other external contracts, consultancies and services rendered is credited to the income and expenditure account to the extent of amounts invoiced during the year.

(d) Pension schemes

Pensions are provided by means of funded defined benefit schemes and annual

contributions are based on actuarial advice.

The expected cost of providing pensions is recognised on a systematic and rational basis over the expected average remaining service life of members of the schemes.

(e) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the mid-term. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

(f) Leases

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

(g) Land and buildings

Expenditure on land and buildings is capitalised. Depreciation is charged on the following bases:

- (i) Buildings acquired after 1 August 1989 - on a straight line basis over 50 years, with the exception of certain special purpose buildings with shorter useful lives.
- (ii) Buildings acquired before 1 August 1989 - on a straight line basis over 30 years commencing in August 1989.
- (iii) One leasehold building held by a subsidiary undertaking - on a straight line basis over 99 years being the term of the lease.

Notes to the Financial Statements for the year ended 31 July 2000

1. Statement of principal accounting policies (continued)

In accordance with SSAP4 and the SORP, grants received from governmental sources are held as deferred capital grants and released to the income and expenditure account over the estimated life of the asset.

Buildings owned by the University are valued at historical cost. This change in accounting policy is made under the transitional arrangements allowed for by FRS 15, and prior year figures have been restated on this basis.

Buildings under construction within the University are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

Chilworth Science Park, an investment property, is accounted for at market value. It is revalued annually and any surplus or deficit arising is taken to a revaluation reserve in general funds. No provision is made for depreciation of this property in accordance with SSAP19.

(h) Equipment

Equipment purchased by the University and costing less than £20,000 per individual item or group of related items is written off in the year of acquisition. Equipment costing over £20,000 and all equipment held by the subsidiary undertakings is capitalised.

Equipment capitalised by the University is stated at cost and depreciated over three years. Capitalised furniture and equipment held by subsidiary undertakings is depreciated over periods not exceeding 10 years.

Depreciation is charged to the income and expenditure account on a straight line basis.

(i) Investments

Endowment asset investments are included in the balance sheet at market value. Current asset investments are included at the lower of cost and net realisable value.

(j) Stocks

Catering, trading and centrally held stocks are stated at the lower of cost and net realisable value. Stocks held by teaching and research departments are excluded from the balance sheet, this expenditure being charged to the income and expenditure account when incurred.

(k) Cash flows and liquid resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise assets held as a readily disposable store of value. They include term deposits, government securities and loan stock held as part of the University's treasury management activities. They exclude any such assets held as endowment asset investments.

(l) Goodwill

Goodwill arising on consolidation and acquisitions until 1998 was written off directly to reserves. Following the implementation of FRS 10, any future goodwill on consolidation will be capitalised in the Balance Sheet and amortised over its useful economic life.

(m) Maintenance

There is a substantial backlog of long term maintenance and the University has a strategy for reducing this backlog. In line with FRS 12 the University charges long term maintenance costs to the income and expenditure account as they are incurred.

(n) Provisions

Provisions are recognised when the University has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

2. Funding Council Grants	2000	1999
	£000	Restated £000
<i>Recurrent grants:</i>		
Higher Education Funding Council for England (HEFCE)	62,291	58,604
Teacher Training Agency	1,682	1,514
Further Education Funding Council	319	42
<i>Specific grants (HEFCE):</i>		
Information services	296	185
Other	1,482	1,834
<i>Deferred Capital Grants released in year (note 19)</i>	<u>1,643</u>	<u>1,537</u>
	67,713	63,716

3. Academic fees and support grants	2000	1999
	£000	£000
<i>Full-time home/EU students</i>	22,575	19,936
<i>Full-time overseas students</i>	7,748	6,405
<i>Part-time students</i>	5,156	5,781
<i>Research training support grants</i>	942	925
<i>Special and short course fees</i>	<u>1,924</u>	<u>1,568</u>
	38,345	34,615

Included in the above is £6.665 million (1999: £5.247 million) of NHS Teaching Contract income in respect of full and part-time fees. This is excluded from note 5.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

4. Research grants and contracts	2000	1999
	£000	£000
<i>INCOME</i>		
<i>Research councils</i>	20,351	18,820
<i>UK based charities</i>	7,191	6,727
<i>UK Central Government/local authorities/health authorities and hospitals</i>	7,339	7,105
<i>UK public corporations/industry and commerce</i>	7,810	6,134
<i>EU Government</i>	3,682	4,194
<i>EU other sources</i>	1,595	1,103
<i>Other overseas sources</i>	2,554	3,057
<i>Other sources</i>	205	232
	<u>50,727</u>	<u>47,372</u>
 <i>EXPENDITURE – DIRECT COSTS</i>		
<i>Salaries and wages</i>	23,356	22,387
<i>Equipment</i>	3,360	3,210
<i>Depreciation</i>	2,609	1,808
<i>Other costs</i>	13,625	12,300
	<u>42,950</u>	<u>39,705</u>
 <i>Contribution to indirect costs</i>	<u>7,777</u>	<u>7,667</u>
 5. Other operating income	2000	1999
	£000	£000
<i>Residences, catering and conferences</i>	16,574	15,675
<i>Consultancies, trading and services rendered</i>	13,442	13,095
<i>Health authorities</i>	1,492	1,252
<i>Other income</i>	6,557	8,282
	<u>38,065</u>	<u>38,304</u>
 6. Endowment income and interest receivable	2000	1999
	£000	£000
<i>Transferred from specific endowments (note 20)</i>	141	144
<i>Income from general endowment asset investments (note 20)</i>	173	253
<i>Income from short term deposits and investments</i>	1,443	1,718
	<u>1,757</u>	<u>2,115</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

7. Staff

	2000 £000	1999 £000
<i>Staff costs:</i>		
Salaries and wages	90,943	84,628
Social Security costs	7,013	6,585
Other pension costs	9,944	9,188
	<u>107,900</u>	<u>100,401</u>

	2000 Number	1999 Number
<i>Average staff numbers by major category inclusive of part-time appointments:</i>		
Academic/clinical/research	1,761	1,668
Administrative and academic support	675	701
Technical	368	372
Other (including clerical and manual)	1,681	1,714
	<u>4,485</u>	<u>4,455</u>
	2000 £000	1999 £000

<i>Emoluments of the Vice-Chancellor</i>	118	114
--	-----	-----

The emoluments of the Vice-Chancellor are shown excluding employer's pension contributions. The University's pension contributions to Universities Superannuation Scheme Limited (USS) amounted to £16,464 (1999: £15,941).

Higher Paid Staff

Remuneration of higher paid staff, excluding employer's pension contributions, but including NHS distinction awards where appropriate:

	2000 Number	1999 Number
£50,000 – £59,999	61	59
£60,000 – £69,999	33	18
£70,000 – £79,999	13	7
£80,000 – £89,999	5	8
£90,000 – £99,999	3	1
£100,000 – £109,999	5	7
£110,000 – £119,999	2	3
£120,000 – £129,999	2	–

Enhanced Pension Benefits

Payments by the University on behalf of three staff (1999: four) earning in excess of £50,000 per annum:

	2000 £000	1999 £000
Payment to USS for enhanced pension benefits	228	131

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

8. Other operating expenses	2000 £000	1999 £000
Non capitalised equipment	12,186	13,548
Consumables and laboratory expenditure	7,878	7,769
Administrative and central costs	8,284	8,185
Residences, catering and conferences operating expenses	7,410	8,037
Travel costs	5,920	4,819
Repairs and maintenance	8,976	5,735
Heat, light, water and power	2,236	1,740
Books and periodicals	2,187	2,220
Fellowships, scholarships and prizes	5,281	3,404
Rents	1,647	2,545
Grant to Students' Union	1,087	1,037
External auditors' remuneration	14	27
Auditors' remuneration in respect of other services	—	85
Other expenses	11,780	10,892
	74,886	70,043

9. Interest payable	2000 £000	1999 £000
Loans not wholly repayable within five years	4,345	3,306
Loans wholly repayable within five years	4	16
Finance leases	34	37
	4,383	3,359

10. Analysis of 2000 expenditure by activity

	Staff costs £000	Depreciation £000	Other operating expenses £000	Interest payable £000	Total £000
Academic departments	58,547	925	10,860	—	70,332
Academic services	5,378	409	5,570	—	11,357
Research grants and contracts (note 4)	23,356	2,609	16,985	—	42,950
Residences, catering and conferences	3,981	269	7,410	1,538	13,198
Premises	4,048	3,762	15,699	—	23,509
Administration and central services	5,787	28	4,278	—	10,093
Other activities	6,803	482	14,084	2,845	24,214
	107,900	8,484	74,886	4,383	195,653

The depreciation charge has been funded by:

Deferred Capital Grants released (note 19)	1,643
General income	6,841
	8,484

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

11. Tangible assets

	Consolidated						University				
	Land and buildings		Assets in	Investment	Furniture	Total	Land and buildings		Assets in	Equipment	Total
	Completed	Completed	course of	Properties	fittings and		Completed	Completed	course of	Equipment	
	Freehold	Leasehold	construction	£000	equipment	£000	Freehold	Leasehold	construction	£000	£000
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Cost or valuation</i>											
At 1 August 1999 - Restated	143,788	17,440	5,797	13,171	18,770	198,966	143,788	12,809	5,633	16,580	178,810
Additions at cost	687	1,058	10,225	-	5,618	17,588	687	1,033	9,677	5,386	16,783
Transfers at cost	426	-	(426)	-	-	-	426	-	(426)	-	-
Revaluation	-	-	-	2,465	-	2,465	-	-	-	-	-
Disposals at cost	-	-	-	-	(163)	(163)	-	-	-	(163)	(163)
Assets written down at cost	(144)	-	-	-	-	(144)	(144)	-	-	-	(144)
At 31 July 2000	144,757	18,498	15,596	15,636	24,225	218,712	144,757	13,842	14,884	21,803	195,286
<i>Depreciation</i>											
At 1 August 1999 - Restated	(21,714)	(1,690)	-	-	(14,282)	(37,686)	(21,714)	(1,018)	-	(12,452)	(35,184)
Charge for year	(3,212)	(437)	-	-	(4,723)	(8,372)	(3,212)	(359)	-	(4,487)	(8,058)
Eliminated on disposal	-	-	-	-	100	100	-	-	-	100	100
Assets written down	32	-	-	-	-	32	32	-	-	-	32
At 31 July 2000	(24,894)	(2,127)	-	-	(18,905)	(45,926)	(24,894)	(1,377)	-	(16,839)	(43,110)
<i>Net book value</i>											
At 31 July 2000	119,863	16,371	15,596	15,636	5,320	172,786	119,863	12,465	14,884	4,964	152,176
At 1 August 1999	122,074	15,750	5,797	13,171	4,488	161,280	122,074	11,791	5,633	4,128	143,626

Included in the balances for freehold land and buildings is expenditure of £7,027,000 funded by the HEFCE and its predecessors, in respect of clinical land and buildings in National Health Service ownership, and £12,700,000 for the Southampton Oceanography Centre, funded by HEFCE in respect of buildings constructed by the Natural Environment Research Council.

Included in the cost of buildings held by subsidiary undertakings is interest capitalised amounting to £488,000 (1999: £488,000).

Chilworth Science Park has been included on the basis of freehold open market value for existing use as at 31 July 2000 as determined by Vail Williams, in accordance with the Statements of Asset Valuation Practice and Guidance Notes by the RICS. The market value of the science park increased by £2,465,000 during the year. The historical and net book value of these assets at 31 July 2000 amounted to £6,589,000 (1999: £6,589,000) which included interest capitalised amounting to £275,000 (1999: £275,000).

Under the transitional arrangements allowed by FRS15, land and buildings owned by the University and previously shown in the accounts at a revalued amount have been returned to their historical cost levels. The opening balances from 1999 have been restated on this basis, and the effect has been to reduce the net book value as at 1 August 1999 by £78,727,000.

In addition to the above expenditure on tangible assets a further £13,313,000 has been committed by the University and its subsidiaries (note 24).

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

12. Fixed asset investments	Consolidated		University	
	2000	1999	2000	1999
	£000	£000	£000	£000
Investment in subsidiary undertakings at cost	–	–	150	150
Other investments	192	191	90	90
	<u>192</u>	<u>191</u>	<u>240</u>	<u>240</u>

The University group structure, where all the companies held are registered in England and Wales with the exception of AquaGene Incorporated which is registered in the USA, is as follows:

	Percentage holding	Nature of activity
<i>Held by the University</i>		
Marinetch South Limited	25.00	Research innovation
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Southampton Photonics Limited	3.90	Optical fibre technology
Southampton Student Halls I Limited	100.00	Property management
Southampton Student Halls II Limited	100.00	Property management
Southampton Student Halls III Limited	100.00	Property management
Southampton Student Halls IV Limited	100.00	Property management
Southampton University Services Limited	50.00 *	Educational services
University of Southampton Holdings Limited (USH Limited)	100.00	Holding company
Winchester School of Art Enterprises Limited	100.00	Publications
<i>Investments held by USH Limited</i>		
Chilworth Manor Limited	75.01	Residential conference centre
Chilworth Science Park Limited	100.00	Science park management
Concurrent Computation Company Limited	14.00	Management services
Henry Robinson Hartley Limited	100.00	Estate management
SOCeanic Limited	100.00	Commercial contract management
Southampton Innovations Limited (SI Limited)	100.00	Innovation and patents
Southampton Residences Limited	100.00	Property management services
Southampton University Services Limited	50.00 *	Educational services
<i>Investments held by SI Limited</i>		
AquaGene Incorporated	3.25	Biotechnology
Autosub Limited	33.33	Marine technology
Biopraxis Limited	11.19	Research innovation
Exosect Limited	19.05	Insect destruction
Hunter-Fleming Limited	2.00	Pharmaceuticals
LME Design Automation Limited	2.33	Microchip software
Multicosm Limited	5.48	Software development
Nurin Limited	5.00	Neurological protection
Photonic Innovations Limited (PI Limited)	50.00	Optoelectronics
Thermostic Developments Limited	8.80	Beverage packaging
Kymata Limited	1.59	Telecommunications
<i>Investments held by PI Limited</i>		
Southampton Photonics Limited	3.90	Optical fibre technology

* Company limited by guarantee, maximum liability £1

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

13. Endowment asset investments

	Consolidated and University	
	2000 £000	1999 £000
<i>Balance at 1 August</i>	6,797	6,143
<i>Additions</i>	442	1,164
<i>Disposals</i>	(372)	(780)
<i>Appreciation on valuation for year</i>	280	270
<i>Balance at 31 July</i>	7,147	6,797
<i>Represented by:</i>		
<i>Fixed interest stocks</i>	677	694
<i>Equities</i>	156	158
<i>Unit trusts and managed funds</i>	4,869	4,587
<i>Total stocks, equities and managed funds at market value</i>	5,702	5,439
<i>Short term deposits</i>	1,341	1,332
<i>Cash balances</i>	104	26
<i>Total</i>	7,147	6,797
 <i>Total stocks, equities and managed funds at cost</i>	 4,939	 4,985

14. Long term debtors and prepayments

	Consolidated		University	
	2000 £000	1999 £000	2000 £000	1999 £000
<i>Amounts owed by subsidiary undertakings</i>	—	—	1,801	1,147
<i>Prepayments to subsidiary undertakings</i>	—	—	10,234	10,890
<i>Other prepayments</i>	2,922	3,304	2,922	3,304
	2,922	3,304	14,957	15,341

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

15. Current assets	Consolidated		University	
	2000 £000	1999 £000	2000 £000	1999 £000
Stock	337	292	307	265
Debtors and Prepayments:				
Grants from HEFCE	353	819	353	819
Trade debtors	6,183	5,042	6,021	4,195
Tuition fees	1,654	977	1,654	977
Research grants and contracts	15,034	12,845	15,034	12,845
Prepayments to group undertakings	—	—	2,617	2,956
Other prepayments	1,284	1,061	908	970
Other debtors	3,023	2,937	4,412	3,734
	27,531	23,681	30,999	26,496
Investments	12,541	13,073	12,541	13,073
Cash at bank and on deposit	14,133	14,432	10,208	10,796
	<u>54,542</u>	<u>51,478</u>	<u>54,055</u>	<u>50,630</u>
Investments are represented by:				
			2000 £000	1999 £000
Quoted shares and securities *			12,041	11,958
Cash deposits at banks and building societies (maturity date after 1 August)			500	1,115
			<u>12,541</u>	<u>13,073</u>
* Market value of quoted shares and securities (held at cost in the accounts above)			<u>16,264</u>	<u>16,016</u>

16. Creditors: amounts falling due within one year	Consolidated		University	
	2000 £000	1999 £000	2000 £000	1999 £000
HEFCE specific grant	95	75	95	75
Advance income on research	14,467	12,685	14,467	12,685
Social Security and other taxation	3,753	3,871	3,515	3,409
Amounts owed to group undertakings	—	—	3,880	3,656
Trade and other creditors	13,092	12,259	12,336	11,313
Accruals and deferred income	11,692	9,772	10,754	9,165
	<u>43,099</u>	<u>38,662</u>	<u>45,047</u>	<u>40,303</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

17. Creditors: amounts falling due after more than one year	Consolidated		University	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loans	62,072	58,037	52,966	48,676
Finance leases	50	109	50	109
Amounts owed to group undertakings	—	—	10,212	10,834
Other creditors	3,004	2,984	2,101	2,303
Accruals and deferred income	4,289	3,946	3,786	3,617
	<u>69,415</u>	<u>65,076</u>	<u>69,115</u>	<u>65,539</u>

Amounts repayable after more than one year in respect of bank loans outstanding as at 31 July 2000, may be analysed as follows:

Lender	Date loan obtained	Final repayment date	Interest rate	Balance outstanding 2000 £000	Balance outstanding 1999 £000
<i>University:</i>					
Lloyds TSB Bank *	1985	—	fixed	—	535
HSBC *	1993	2018	variable	8,573	8,926
HSBC *	1995	2015	variable	1,978	2,076
National Westminster Bank	1996	2016	fixed	8,954	9,380
Yorkshire Bank	1997	2018	fixed/variable	11,066	11,529
National Westminster Bank *	1999	2019	fixed/variable	6,024	6,238
Yorkshire Bank	1999	2020	fixed/variable	11,308	9,992
Barchays Bank *	1999	2019	variable	5,063	—
				<u>52,966</u>	<u>48,676</u>
<i>Subsidiaries:</i>					
Lloyds TSB Bank *	1995	2014	variable	4,502	4,658
HSBC *	1999	2020	fixed/variable	4,604	4,703
				<u>62,072</u>	<u>58,037</u>

* Loans secured on specific assets.

The University does not guarantee the borrowings of any subsidiary undertaking.

18. Provisions for liabilities and charges

	Consolidated			University	
	Maintenance Fund £000	Pensions £000	Total £000	Pensions £000	Total £000
At 1 August 1999	363	3,132	3,495	3,132	3,132
Utilised during year	(32)	(1,074)	(1,106)	(1,074)	(1,074)
Transfer from Income and Expenditure account	703	1,886	1,989	1,886	1,886
At 31 July 2000	<u>434</u>	<u>3,944</u>	<u>4,378</u>	<u>3,944</u>	<u>3,944</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

19. Deferred capital grants

	Consolidated and University		
	Funding Council £000	Other grants £000	Total £000
At 1 August 1999 - as previously reported			
Buildings	45,552	763	46,315
Prior year adjustment (note 1g)	77	(74)	3
	45,629	689	46,318
Equipment	242	–	242
At 1 August 1999 - restated	45,871	689	46,560
Amounts received			
Buildings	1,662	650	2,312
Total	1,662	650	2,312
Transfer to Income and Expenditure account			
Buildings (note 2)	(1,541)	(31)	(1,572)
Equipment (note 2)	(71)	–	(71)
Total (note 10)	(1,612)	(31)	(1,643)
At 31 July 2000			
Buildings	45,750	1,308	47,058
Equipment	171	–	171
Total	45,921	1,308	47,229

20. Endowments

	Consolidated and University		
	Specific £000	General £000	Total £000
At 1 August 1999	4,244	2,553	6,797
Additions	65	–	65
Unrealised appreciation of endowment asset investments	176	104	280
Realised losses from sales in year	(9)	(4)	(13)
Income for year	151	173	324
Transferred to Income and Expenditure account	(141)	(173)	(314)
Appropriated from Income and Expenditure account	–	8	8
At 31 July 2000	4,486	2,661	7,147
Representing:			
Fellowships and scholarship funds	1,479	–	1,479
Prize funds	437	–	437
Chairs and lectureships funds	1,395	–	1,395
Other funds	1,175	2,661	3,836
	4,486	2,661	7,147

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

21. Revaluation Reserve	Consolidated		University	
	2000	1999	2000	1999
	£000	£000	£000	£000
At 1 August - as previously reported	6,446	84,009	—	81,217
Prior year adjustment (note 1g)	—	(80,898)	—	(81,217)
At 1 August - restated	6,446	3,111	—	—
Revaluation in year of Chilton Science Park	2,465	3,335	—	—
At 31 July	8,911	6,446	—	—

22. Reconciliation of Income and Expenditure Reserves	Consolidated	University
	£000	£000
Balance at 1 August 1999 - as previously reported	56,097	54,067
Prior year adjustment (note 1g)	(83)	236
Balance at 1 August 1999 - Restated	56,014	54,303
Surplus in year after depreciation of assets but before minority interest	954	1,348
Specific donation for capital assets	450	450
Transfer to general endowments (note 20)	(8)	(8)
Balance at 31 July 2000	57,410	56,093
Represented by:		
Allocated to University departments	23,153	23,153
Centrally controlled	34,257	32,940
	57,410	56,093

Included in the consolidated reserves above is £680,000 (1999: £253,000) attributable to Minority Interests.

The above reserves have arisen from accumulated annual surpluses. A total of £47,883,000 (1999: £43,227,000) has been applied to finance capital developments within the University.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

23. Lease obligations	Consolidated and University	
	2000 £000	1999 £000
<i>Obligations under finance leases fall due as follows:</i>		
<i>Between two and five years</i>	55	124
<i>Within one year</i>	69	74
<i>Less future finance charges</i>	(15)	(30)
	<u>109</u>	<u>168</u>

24. Capital commitments	Consolidated	
	2000 £000	1999 £000
<i>Commitments contracted</i>	13,313	9,891
<i>Authorised but not contracted</i>	10,163	8,383
	<u>23,476</u>	<u>18,274</u>

	2000 £000	1999 £000
<i>Contracted commitments</i>		
<i>Oncology Building *</i>	5,350	—
<i>Clinical Research Facility *</i>	2,700	—
<i>Chilworth Science Park</i>	473	—
<i>Chilworth Manor - Lecture Theatre</i>	22	—
<i>Nursing Building</i>	1,703	4,704
<i>Chemistry Refurbishment *</i>	2,046	2,500
<i>Glen Eyre Old Hall</i>	470	2,205
<i>Synthetic Chemistry Building</i>	522	210
<i>Textile Conservation Centre</i>	27	163
<i>Electronics and Computer Science Building</i>	—	53
<i>Commercial Services Building</i>	—	36
<i>Winchester Campus Phase IV</i>	—	20
	<u>13,313</u>	<u>9,891</u>

* Commitments wholly or partly funded by external grants.

25. Liability insurance

The University of Southampton has effected insurance cover in respect of liability for all members and officers who participate in the management of the University and its subsidiary undertakings.

26. Related party transactions

The University has complied with the Financial Reporting Standard on related party transactions and there are no transactions to report.

Notes to the Financial Statements for the year ended 31 July 2000

27. University pension schemes

The University participates in the Universities Superannuation Scheme (USS) in respect of the majority of academic and academically-related staff. The Scheme provides benefits based on final pensionable salary for employees of all UK universities and some other employers and is contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate, trustee-administered fund.

In addition, the University contributes to a self-administered pension and assurance scheme for non academic staff (PASNAS). The scheme is a defined benefit scheme, funded by contributions made in accordance with the recommendations of the scheme's actuaries.

The actuaries' recommendations for contributions to both schemes are based on triennial valuations of the schemes' liabilities. In the intervening years, the actuaries review the progress of the schemes. Pension costs are accounted for on the basis of charging the cost of providing pensions over the period during which the University benefits from the employees' services. Unless it is considered prudent to recognise deficiencies over a shorter period, variations from regular cost are spread over the expected average working lifetime of members of the schemes, after making suitable allowances for future withdrawals. The latest valuations of the schemes for which results are available and the significant assumptions applied were:

	USS	PASNAS
Valuation date	31 March 1999	1 August 1998
Market value of assets	£18,870 million	£70 million
Investment return	4.5% p.a.	9.0% p.a.
Increase in salaries	3.6% p.a.	7.0% p.a.
Increase in pensions	2.6% p.a.	5.0% p.a.
Pension cost (calculated as a percentage of total salaries)		
Regular cost	16.3%	18.4%
Variation from regular cost	(2.3%)	(2.7%)
Total pension cost	14.0%	15.7%

USS

At the last actuarial valuation of the scheme on 31 March 1999 the actuarial value of the assets was sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The pension cost has been calculated using the projected unit method and the assumptions shown above. The total pension cost was £8,138,000 (1999: £7,495,000).

The variation from regular cost has been calculated so as to extinguish the past service shortfall over 5 years. The University paid contributions at the rate of 14.00% of total salaries for the year.

PASNAS

The valuation on the 1 August 1998 indicated that the scheme's assets represented 117% of the benefits that had accrued to members after allowing for expected increases in earnings. A surplus of £7 million remains and this will be amortised over the future.

It was recommended that the University continue taking a contribution holiday until the next valuation on 1 August 2001.

Following consideration of the 1998 valuation, a recalculation of the provision shown in the accounts in accordance with SSAP 24 indicated that the provision should be released back to the income and expenditure account. A sum of £538,460 has been released this year thereby reducing the expenditure headings from which the provision had originally been made in earlier years.

FEDERATED SUPERANNUATION SCHEME FOR UNIVERSITIES (FSSU)

The University maintains records for former members of FSSU. No new members have been admitted to the scheme which was based on fixed pensions. These pensions are supplemented by the University on an *ex gratia* basis from general income approximately in line with increases in other pensions which have an annual inflation element built in. During the year a total of £117,000 (1999: £130,000) was paid to former members of FSSU or widows of members in respect of these unfunded liabilities.

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

28. Reconciliation of consolidated operating surplus to net cash from operating activities

	2000 £000	Restated 1999 £000
Surplus before minority interest	954	4,211
Depreciation	8,484	8,108
Loss/(profit) on disposal of tangible fixed asset	63	(27)
Deferred capital grants released to income	(1,643)	(1,537)
Investment income	(1,757)	(2,115)
Interest payable	4,383	3,359
Loss/(profit) received on sale of endowments	13	(11)
(Increase)/decrease in stock	(45)	31
(Increase) in debtors	(3,761)	(114)
Increase in creditors and accruals	4,999	3,600
Increase/(decrease) in provisions	883	(1,939)
Net cash inflow from operating activities	<u>12,573</u>	<u>13,566</u>

29. Returns on investments and servicing of finance

	2000 £000	1999 £000
Income from endowments	324	512
Income from short term deposits and investments	1,462	1,755
Other interest received	17	40
Interest paid	(4,385)	(3,356)
	<u>(2,582)</u>	<u>(1,049)</u>

30. Capital investment and financial investment

	2000 £000	1999 £000
Tangible assets acquired	(18,210)	(29,843)
Fixed asset investments acquired	(5)	(407)
Endowment asset investments acquired (note 13)	(442)	(1,164)
Total fixed and endowment asset investments acquired	<u>(18,657)</u>	<u>(31,414)</u>
Receipts from sales of endowment assets	359	791
Receipts from sales of fixed asset investments	4	196
Receipt from sale of tangible asset	-	160
Deferred capital grants received	3,011	742
Endowments received (note 20)	65	90
	<u>(15,218)</u>	<u>(29,435)</u>

University of Southampton and Subsidiary Undertakings

Notes to the Financial Statements for the year ended 31 July 2000

31. Analysis of changes in consolidated financing during the year	2000 £000	2000 £000	1999 £000	1999 £000
<i>Balance at 1 August</i>		63,025		65,380
<i>Business Expansion Scheme</i>	—		(18,300)	
<i>New loans and increased debt</i>	7,378		17,053	
<i>Capital repayments</i>	(2,982)		(1,108)	
		<u>4,396</u>		<u>(2,355)</u>
<i>Balance at 31 July</i>		<u>67,421</u>		<u>63,025</u>

32. Analysis of changes in net debt	At 1 August 1999 £000	Cash flows £000	Other non cash changes £000	At 31 July 2000 £000
<i>Cash at bank and in hand</i>	14,432	(299)	—	14,133
<i>Short term deposits</i>	13,073	(532)	—	12,541
<i>Debt due within one year</i>	(2,575)	2,123	(2,746)	(3,198)
<i>Debt due after one year</i>	(60,450)	(6,519)	2,746	(64,223)
	<u>(35,520)</u>	<u>(5,227)</u>	<u>—</u>	<u>(40,747)</u>

33. Access funds	Consolidated and University	
	2000 £000	1999 £000
<i>Balance at 1 August</i>	1	3
<i>Net IHFCE grant</i>	<u>795</u>	<u>572</u>
	796	575
<i>Disbursed to students</i>	(699)	(574)
<i>Balance at 31 July</i>	<u>97</u>	<u>1</u>

Financial Statistics

Financial indicators (Restated)

2000 1999 1998 1997 1996

Source of income

<i>HEFCE grants plus home fees and support grants/total income</i>	49.6%	49.0%	49.3%	47.9%	48.0%
<i>Overseas fees/total income</i>	4.0%	3.5%	3.8%	3.8%	3.4%
<i>Research grants and contracts/total income</i>	26.0%	25.7%	26.3%	28.8%	27.8%
<i>Other operating income/total income</i>	19.5%	20.8%	19.0%	18.2%	19.3%
<i>Surplus or deficit before transfers/total income</i>	0.4%	2.2%	1.4%	0.5%	3.7%

Long term solvency

<i>Days of total general funds and provisions to total expenditure</i>	120	125	128	123	121
<i>Ratio of long term liabilities to general funds</i>	120.9%	116.2%	98.9%	111.6%	88.5%
<i>As above, excluding technical adjustments</i>	120.9%	116.2%	98.9%	76.5%	53.2%

Short term solvency

<i>Net liquid assets to current liabilities</i>	0.6:1	0.7:1	0.9:1	0.9:1	0.7:1
<i>Days ratio of net liquid assets to total expenditure</i>	53	59	105	69	43
<i>Current assets/current liabilities</i>	1.27:1	1.33:1	1.33:1	1.57:1	1.62:1
<i>Ratio of movement in net liquid assets in year to same assets at start</i>	(4.6)%	(40.1)%	62.5%	73.5%	(26.1)%
<i>Days of total income represented by debtors</i>	30	26	29	30	26

Financial Statistics

Income from sponsored research for the year ended 31 July 2000

From Research Councils	£000	From UK-based Charitable Bodies	£000
<i>Arts and Humanities Research Board</i>	344	<i>Arthritis and Rheumatics Council</i>	153
<i>Biotechnology and Biological Sciences Research Council</i>	1,544	<i>Association for International Cancer Research</i>	81
<i>Council for the Central Laboratory of the Research Councils</i>	31	<i>Association for Spina Bifida and Hydrocephalus</i>	54
<i>Economic and Social Research Council</i>	398	<i>British Brain and Spine Foundation</i>	80
<i>Engineering and Physical Sciences Research Council (EPSRC)</i>	10,292	<i>British Diabetic Association</i>	108
<i>Medical Research Council</i>	2,328	<i>British Digestive Foundation</i>	22
<i>Natural Environment Research Council (NERC)</i>	4,674	<i>British Heart Foundation</i>	416
<i>Particle Physics and Astronomy Research Council (PPARC)</i>	641	<i>British Lung Foundation</i>	41
<i>British Academy</i>	74	<i>British Skin Foundation</i>	27
<i>Others less than £ 15,000</i>	25	<i>Cancer Research Campaign</i>	620
Total Research Councils	20,351	<i>Colt Foundation</i>	22
		<i>Cystic Fibrosis Research Trust</i>	93
		<i>Frances and Augustus Newman Foundation</i>	18
		<i>Institute of Child Health</i>	40
		<i>International Centre for Under Utilised Crops</i>	61
		<i>Leukaemia Busters</i>	172
		<i>Leukaemia Research Fund</i>	312
		<i>Leverhulme Trust</i>	179
		<i>Lister Institute of Preventive Medicine</i>	73
		<i>Marie Curie Cancer Care</i>	57
		<i>Maurice Long Foundation</i>	68
		<i>Multiple Sclerosis Society</i>	73
		<i>National Asthma Campaign</i>	203
		<i>National Kidney Research Fund</i>	28
		<i>National Meningitis Trust</i>	79
		<i>Parkinson's Disease Society</i>	16
		<i>Research into Ageing</i>	19
		<i>Royal Academy of Engineering</i>	16
		<i>Royal National Institute for Deaf People</i>	52
		<i>RSPCA</i>	17
		<i>Sir Jules Thorn Charitable Trust</i>	165
		<i>Smith's Charity</i>	29
		<i>Solent Subfertility Trust</i>	84
		<i>Sports Aiding Medical Research for Kids</i>	27
		<i>Stroke Association</i>	47
		<i>Tenovus - Bournemouth</i>	21
		<i>Tenovus - Cardiff</i>	516
		<i>Design Council</i>	34
		<i>Felicity Wilde Charitable Trust</i>	15
		<i>Kingston Trust</i>	21
		<i>Peter Sager Wallenberg Charitable Trust</i>	74
		<i>Wellcome Trust</i>	1,714
		<i>Wessex Cancer Trust</i>	73
		<i>Wessex Medical Trust</i>	883
		<i>Others less than £ 15,000</i>	288
		Total UK-based Charitable Bodies	7,191

Financial Statistics

Income from sponsored research for the year ended 31 July 2000 (continued)

From Other Sources	£000		£000
3M Healthcare	90	English Nature	21
ABB Kent-Inrol Ltd	39	Environment Agency	59
ABP Research & Consultancy Ltd	19	Ertico (Belgium)	26
Akira Investments Ltd	29	Euro Yachts	22
ALSTOM Gas Turbines Ltd	18	European Space Agency	87
Aquagene Inc (USA)	35	European Space Operations Centre	16
Astra Charnwood	35	European Union	3,389
Astra Pharmaceuticals Ltd	307	Flavour & Extract Manufacturers Association	21
Autodesk	54	Ford Foundation	448
AWE Aldermaston	139	Forestry Commission	51
BAE Systems (Operations) Ltd	26	Gaztransport & Technigaz	25
Bayer	160	Genome Therapeutics Corporation (USA)	262
Bios	33	Geosensor Corporation (USA)	22
Bloody Sunday Inquiry	27	German Frers	32
Bournemouth Borough Council	35	Glaxo Wellcome	326
BP Exploration Operating Company Ltd	18	Gloucestershire Health Authority	73
Britannia Pharmaceutical Ltd	88	Halcrow Fox & Associates	17
British Aerospace	75	Hampshire County Council	20
British Biotech Pharmaceuticals Ltd	28	Hampshire Family Health Services Authority	196
British Gas PLC	19	Health and Safety Executive	51
Callisto	36	Health Effects Institute	46
Cambridge Anti-Body Technology Ltd	36	Highways Agency	125
Centre National D'Etudes des Telecommunications	27	Hitachi	42
Central Health Outcomes Unit	90	Hoechst AG (Germany)	58
Centre for Marine and Petroleum Technology	22	Hoffmann La Roche	20
City Technology Ltd	38	Human Frontier Science Program Organisation (France)	46
Cleanaway Ltd	540	Hunter Fleming Ltd	47
Countryside Agency	65	IBM UK Laboratories Ltd	38
Dalgety Food Technology Centre	17	ICL	78
Dampers SAS	35	Imperial College	19
Davidson & Co Ltd	17	Innovex UK Ltd	17
Defence Research Agency	966	J Sainsbury PLC	28
Den Norske Stats Oljeselskap as - STATOIL (Norway)	27	Jaguar Cars	21
Department of Health	2,007	John Deere Product Engineering	50
Department of the Environment, Transport and the Regions	388	Kingfisher PLC	23
Department of Trade and Industry	55	Knorr Bremse Systems for Commercial Vehicles Ltd	23
Depuy International Ltd	78	Korea Research Institute of Standards and Science	23
Devonport Management Ltd	25	Kuto Electronics Manufacturing Company Ltd	54
Dow-Coring UK Ltd	33	Kvaerner Process Systems	78
Du Pont De Nemours	16	Laboratory of the Government Chemist Ltd	20
Dubois Naval Architects Ltd	36	Lilly UK	21
Dudley Metropolitan Borough Council	39	London Transport Buses	258
Electronic Data Systems	39	Lorex Synthelabo Ltd	138
English Heritage	167	Luxfer Group Ltd	32

Financial Statistics

Income from sponsored research for the year ended 31 July 2000 (continued)

From Other Sources	£000		£000
<i>Manchester Royal Infirmary</i>	18	<i>Rolls Royce Ltd</i>	334
<i>Marconi Communications (GPT) Ltd</i>	22	<i>Rotta Laboratorium</i>	16
<i>Marconi Space & Defence</i>	40	<i>Royal Society</i>	606
<i>Massachusetts Institute of Technology</i>	31	<i>Shell Exploration & Production</i>	30
<i>Merck Ltd</i>	36	<i>Simpson International France</i>	33
<i>Merck Sharpe & Dohme Research Laboratories</i>	110	<i>SmithKline Beecham PLC</i>	174
<i>Ministry of Agriculture, Fisheries & Food</i>	579	<i>SNCF</i>	22
<i>Ministry of Defence (Liverpool)</i>	435	<i>South & West RHA (Bristol)</i>	1,107
<i>MSX International Ltd</i>	214	<i>Southampton University Hospitals Trust</i>	136
<i>Mulder Design</i>	32	<i>St Saviours Hospital, Jersey</i>	19
<i>National Grid Company PLC</i>	220	<i>Stallergenes</i>	40
<i>National Institute of Health</i>	178	<i>Stanford Rook</i>	21
<i>National Power PLC</i>	68	<i>Stanley Thomas Johnson Foundation</i>	
<i>National Radiological Protection Board</i>	15	<i>(Switzerland)</i>	24
<i>New Forest District Council</i>	15	<i>STC Submarine Systems</i>	34
<i>NIHS Management Executive</i>	120	<i>Ted Hood Design Group</i>	46
<i>Nissan Motor Company</i>	42	<i>TNO Institute of Applied Physics</i>	32
<i>Nutricia Research Foundation (Netherlands)</i>	75	<i>Tyrell Racing Organisation</i>	35
<i>Nycomed Amersham PLC</i>	98	<i>UCB Pharma</i>	25
<i>Ocean Sailing Development Holland</i>	31	<i>Unilever Research (USA)</i>	17
<i>Office for National Statistics</i>	122	<i>United States Air Force</i>	72
<i>Organon Teknika N V (Belgium)</i>	32	<i>United States Navy</i>	231
<i>Ove Arup and Partners</i>	51	<i>University of Aberdeen</i>	30
<i>Overseas Development Administration</i>	694	<i>University of Leicester</i>	22
<i>Oxford Glycosciences</i>	60	<i>University of Manchester</i>	27
<i>Penguin Books Ltd</i>	30	<i>University of Reading</i>	42
<i>Pfizer Ltd</i>	158	<i>University of Wales</i>	16
<i>Pirelli - Italy</i>	954	<i>Virtual Centre of Excellence in Mobile &</i>	
<i>Poole Hospitals NHS Trust</i>	15	<i>Personal Communication</i>	59
<i>Positive Light Incorporated</i>	115	<i>Vosper Thornycroft (UK) Ltd</i>	16
<i>Pritel Inc (USA)</i>	34	<i>Wallingford Hydraulics Research Ltd</i>	54
<i>Public Health Laboratory Service</i>	21	<i>Wessex Renal & Transport Unit</i>	62
<i>Radiodetection Ltd</i>	76	<i>Yamanouchi UK Ltd</i>	17
<i>Reckitt & Colman Products Ltd</i>	168	<i>Zeneca Ltd</i>	120
<i>Research Publications International</i>	18	<i>Others less than £ 15,000</i>	1,945
<i>Rhone Poulenc Rorer</i>	194		
<i>Roche Products Ltd</i>	35	Total Other Sources	23,185
<i>Rohm & Haas Company</i>	23		

